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Letter dated 8 November 2010 from the Secretary-General addressed to the President of the Security Council

Pursuant to Security Council resolution 1031 (1995), I have the honour to convey the attached letter dated 21 October 2010, which I received from Valentin Inzko, High Representative for Bosnia and Herzegovina (see annex), transmitting the thirty-eighth report on implementation of the Peace Agreement, covering the period from 1 May to 15 October 2010.

I should be grateful if you would bring this letter and its attachment to the attention of the members of the Security Council.

(*Signed*) **BAN** Ki-moon

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Annex

Letter dated 21 October 2010 from the High Representative for Bosnia and Herzegovina addressed to the Secretary-General

Pursuant to Security Council resolution 1031 (1995), by which the Council requested the Secretary-General to submit to it reports from the High Representative in accordance with annex 10 of the General Framework Agreement for Peace in Bosnia and Herzegovina and the Conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present to you the thirty-eighth report (see enclosure). I would ask for this report to be circulated to the members of the Security Council for their consideration.

This is my fourth report to the Secretary-General since assuming the office of the High Representative for Bosnia and Herzegovina on 26 March 2009. The present report covers the period from 1 May to 15 October 2010.

Should you or any Council member require any information beyond what is offered in the attached report or have any questions regarding its contents, I should be pleased to provide further information.

(*Signed*) Valentin **Inzko**

Enclosure

Thirty-eighth report of the High Representative for Bosnia and Herzegovina

1 May-15 October 2010

Summary

This report covers the period from 1 May to 15 October 2010. During the reporting period, there has been further progress on addressing the conditions for visa liberalization with the European Union. Apart from this progress, the authorities in Bosnia and Herzegovina have failed to address long-needed reforms and as a result there has been no further progress towards European Union and NATO integration. General elections were held on 3 October and they were assessed to be generally free and fair by the international election observation missions. At the time of writing, the election results remain provisional.

It remains a matter of concern that legal and political actions challenging Bosnia and Herzegovina State-level institutions, competencies and laws, and the authority of the High Representative and the Steering Board of the Peace Implementation Council, have continued and intensified, mainly from the Government of the Republika Srpska, one of the two entities in Bosnia and Herzegovina. In advance of the October general elections there was a marked increase in divisive anti-Dayton rhetoric disputing the sovereignty and constitutional order of Bosnia and Herzegovina. Political leaders from the Republika Srpska have repeatedly referred to the future independence of that entity and reiterated their views that Bosnia and Herzegovina is a "virtual and impossible state". The Republika Srpska also adopted a new law governing the holding of referendums in that entity. Following the International Court of Justice's opinion on Kosovo, political leaders from the Republika Srpska made unsubstantiated claims that that entity also has the right to self-determination. Moreover, there has been an increase in actions that threaten earlier achievements in coping with and overcoming the country's legacy of serious war crimes.

While Republika Srpska leaders focused attacks against the State of Bosnia and Herzegovina and its institutions, the Federation experienced a number of negative political developments within that entity. These included attempts to roll back the reform of the civil service and to politicize it. They also included steps to shift responsibilities such as education, culture and public administration from the Federation down to the cantons. In the run-up to the October general elections, some Croat political leaders also openly called for the creation of a third entity within Bosnia and Herzegovina and expressed dissatisfaction with elements of the current electoral system. In this context, relations among members of the governing coalition in the Federation remained strained.

The terrorist attack on the main police station in Bugojno on 27 June, during which a police officer lost his life, is an indication that security challenges remain present in Bosnia and Herzegovina. However, the overall security situation in the country remains stable.

The Bosnia and Herzegovina authorities have not made progress tow rds meeting the outstanding requirements set by the Steering Board of the Peace Implementation Council for transition from the Office of the High Representative to a reinforced European Union presence. The Republika Srpska Government has taken unilateral steps to regulate State property by adopting its own Republika Srpska State Property Law, which — if implemented — would make the completion of the five objectives and two conditions for the closure of the Office of the High Representative more difficult, specifically in relation to the objectives dealing with the apportionment of State and defence property. In addition, the relevant authorities failed to implement the ruling of the European Court of Human Rights of December 2009 regarding discrimination against parts of the citizenry of Bosnia and Herzegovina, who are prevented from fully participating in public affairs through a legal prohibition to stand for election and appointment to important State-level institutions. This ruling requires amendments to the Constitution and Election Law of Bosnia and Herzegovina. The Bosnia and Herzegovina authorities also failed to adopt a State-level Census Law, jeopardizing the country's ability to hold a census in 2011 and postponing progress on a key European Union condition.

Through its continued presence, the European Union military mission in Bosnia and Herzegovina (EUFOR) has continued to reassure citizens that the environment in the country remains safe and secure despite the difficult political situation. The High Representative supports the extension of the executive mandate for EUFOR.

I. Introduction

1. This is my fourth report to the Secretary-General since assuming the post of High Representative for Bosnia and Herzegovina — as well as the post of European Union Special Representative — on 26 March 2009. The present report provides a narrative description of progress made towards attaining the goals outlined in previous reports, registers factual developments, logs relevant citations during the reporting period, and provides my assessment of mandate implementation in key areas, not least the objectives and conditions which must be met before the Office of the High Representative can close. I have focused my efforts on facilitating progress in these areas, in line with my primary responsibility to uphold the General Framework Agreement for Peace in Bosnia and Herzegovina, while also facilitating progress towards Euro-Atlantic integration. Regrettably, a substantial part of my efforts have been dedicated to redressing negative developments, in particular divisive actions taken against Bosnia and Herzegovina State institutions.

2. In August 2010, Raffi Gregorian concluded his mandate as both Brcko District Supervisor and as my Principal Deputy after more than three years of dedicated service, during which he made remarkable contributions to upholding the Dayton Peace Accords, particularly through his promotion of the rule of law, support to efforts to bring to justice persons indicted for war crimes, and in moving decisively forward towards completion of the Brcko District Final Award. In September 2010, United States Ambassador Roderick Moore arrived to assume posts as the new Brcko District Supervisor and Principal Deputy High Representative.

II. Political update

General political environment

3. On the positive side, Bosnia and Herzegovina has completed the conditions required for visa liberalization with the European Union during the reporting period. The European Parliament voted on 7 October to grant visa-free travel to citizens of Bosnia and Herzegovina. The Council of the European Union is expected to confirm this decision in November.

4. At the same time, and despite international efforts to improve relations in the region, the overall political climate inside Bosnia and Herzegovina has deteriorated. In the context of the general elections, held on 3 October, the political atmosphere was marked by provocative and divisive rhetoric. Increased calls for independence from Republika Srpska officials worsened the political environment, while pre-election politicking contributed significantly to a near standstill of the reform agenda. As a result, there has been no concrete progress on the Euro-Atlantic integration agenda or in addressing the outstanding objectives and conditions for the closure of the Office of the High Representative.

General elections

5. The general elections in Bosnia and Herzegovina were held on 3 October. In its preliminary assessment, the Office for Democratic Institutions and Human Rights and other international election monitoring missions considered that the elections were free and fair and generally held in line with international standards. They noted, however, that the general elections were held in line with the current Election

Law and the current Constitution of Bosnia and Herzegovina, which have been found to be in violation of the European Convention for Human Rights and its Protocol 12. The Office for Democratic Institutions and Human Rights and other international election observers reiterated that Bosnia and Herzegovina urgently needs to amend its Constitution and Election Law in this regard. The latest figures for voter turnout in the elections at the time of writing was close to 57 per cent. The general elections were conducted professionally by the Bosnia and Herzegovina election authority. However, there are concerns with the high number of spoiled ballots (close to 10 per cent, a level similar to previous elections), and the Bosnia and Herzegovina Central Election Commission is also investigating other claims of election fraud.

6. Election results will be confirmed by the Central Election Commission by 2 November and therefore, at the time of writing, all election results remain provisional. Nonetheless, most established political parties generally did well. In the Federation, the Social-Democratic Party (SDP BiH) received the highest level of popular support, followed by the Party of Democratic Action (SDA). The Croat Democratic Union (HDZ BiH) strengthened its position as the largest Croat party in Bosnia and Herzegovina. The Alliance of Independent Social Democrats (SNSD) remained the largest party in the Republika Srpska. Owing to the complex system of allocating compensatory mandates in the Bosnia and Herzegovina House of Representatives, it is too early to state the final composition of the State parliament or the possible makeup of the State government. Given the sharply differing political agendas of the largest parties, the process of forming a State government could take months.

7. The three-member Presidency of Bosnia and Herzegovina saw the re-election of the Serb and Croat members — Nebojsa Radmanovic (SNSD) and Zeljko Komsic (SDP), respectively — and the victory of Bakir Izetbegovic (SDA) over the incumbent Bosniak member, Haris Silajdzic (SBiH). Following the elections, the previously divisive atmosphere within the Presidency of Bosnia and Herzegovina has the potential to become more relaxed. At the same time, one of the candidates for Serb member of the Presidency has filed a complaint with the Central Election Commission alleging manipulations in a number of polling stations, which the Commission is investigating along with other complaints.

8. In the Republika Srpska, the current Prime Minister, Milorad Dodik, was elected President of that entity with a wide margin. In the Federation, the parliament elects that entity's Presidency, as opposed to direct election by the citizenry, and this process had not been completed at the time of writing.

Challenges to the General Framework Agreement for Peace

9. During the reporting period, anti-Dayton activities have continued, specifically in relation to annexes 2, 4 and 10 of the General Framework Agreement for Peace, and the use of nationalistic and provocative rhetoric has increased substantially. In particular, political leaders from the Republika Srpska have frequently questioned the sovereignty and sustainability of Bosnia and Herzegovina, claiming that the country is a "virtual state" sustained only by the presence of the international community, that it "does not have a future" and is "something we want to get rid of". Since the Advisory Opinion of the International Court of Justice of 22 July, ruling that Kosovo's declaration of independence was not in violation of

international law, Republika Srpska officials have mentioned frequently the possibility of a "peaceful dissolution" and the "emergence of a new State", while claiming that "no one can deny the Republika Srpska the right to separate itself from Bosnia and Herzegovina".[1] The same leaders also continued to challenge the rulings of the International Tribunal for the Former Yugoslavia and the International Court of Justice that qualified the massacre by Serbs of Bosniaks who had sought refuge in the United Nations-protected area of Srebrenica in July 1995 as genocide. Remarks by Republika Srpska politicians such as "there was no genocide in Srebrenica" and

[1] "We don't see any use of staying in Bosnia and Herzegovina". 24 July 2010; "I am sure that the day when Serbs will decide about their future in a referendum will come. Bosnia and Herzegovina is a nightmare for the Republika Srpska, and like any other nightmare, it has to be lasting as long as necessary". 25 July 2010; "We will never forget the fact that the Republika Srpska is unwanted child in Bosnia and Herzegovina and this ICJ ruling might become useful for us in the future". 27 July 2010; "It used to be said that Bosnia and Herzegovina is little Yugoslavia, and not even the big Yugoslavia managed to survive. How can the small one survive then?" 27 July 2010; "I am convinced that Bosnia does not have a future. It can be maintained by force. ... But, it cannot go on forever. Bosnia is not a factor of a long-term stability of the region. And some other solution, I think, is". 27 July 2010; "Why not talk about peaceful dissolution? Nobody would build a Berlin Wall, but everyone would be on their own, and we would acknowledge one another better. It would be for the best to build up consensus for a peaceful dissolution in Bosnia and Herzegovina, instead of leading the policy of continued disputes constantly fostered by Sarajevo". 1 August 2010; "Bosnia and Herzegovina exists only because of corrupted clerks from the international community, who like earning enormous salaries thanks to people's suffering, although even they are aware of the fact that Bosnia and Herzegovina is an impossible state". 22 August 2010; "Will the Republika Srpska leave Bosnia and Herzegovina? I am certain that one day, at one point it will, but this has to be in peaceful, civilized and non-violent way and this moment is getting closer, no matter how this may seem to someone". 24 August 2010; "Final status of the Republika Srpska will be resolved within the next four years". 1 September 2010; "We love Republika Srpska, and we are in Bosnia and Herzegovina only because we have to be, because no one needs a Bosnia and Herzegovina such as this, and it should be abolished". 5 September 2010; "Republika Srpska has a future, unlike Bosnia and Herzegovina which does not have that. Republika Srpska as an independent state would have been happy and successful". 8 September 2010; "We have enacted the Law on Referendum, and the Referendum on independence will be then, when I estimate the time for it to be appropriate". 10 September 2010; "There are deeds behind SNSD, behind us is the Republika Srpska, every day closer to its independent status. As soon as we can leave from Bosnia and Herzegovina, we will go". 10 September 2010; "If Albanians of Kosovo dreamt for 150 years to have their own state, and they are on the verge of having official confirmation, then Serbs in the Republika Srpska are entitled to the same. As an ordinary man, I must say I dream of somebody in Brussels or Washington signing a similar resolution for the Republika Srpska in some 5, 10, 15 years". 11 September 2010; "The time has come for us to resolve the final status of the Republika Srpska according to the 'Albanian' model which is instructive for us from the Republika Srpska. SNSD is a powerful and great party capable of implementing such a great project named independent Republika Srpska". 11 September 2010; "Today the Republika Srpska is not contested anymore, it is a permanent category, only Bosnia and Herzegovina can be contestable". 12 September 2010; "After the ICJ opinion, and great powers' attitude on Kosovo, no one can deny Republika Srpska the right to separate itself from Bosnia and Herzegovina". 14 September 2010; "Republika Srpska will be forever, and Bosnia and Herzegovina as long as it must be". 14 September 2010; "My capital is not Sarajevo, I do not acknowledge that, for me besides Banja Luka, Belgrade is the capital". 25 September 2010; "Our national interest is clear, and it is called Republika Srpska where Banja Luka is the capital and Belgrade national capital". 28 September 2010; "Bosnia and Herzegovina is possible as a federation of republics, or there will be no more Bosnia and Herzegovina. Bosnia and Herzegovina is impossible as a state, it never was possible, nor will it ever be, and that is not my fault". 4 October 2010.

"it's not like all of them perished" not only negated decisions of international courts, but also angered representatives of the other nationalities in Bosnia and Herzegovina.

10. In response to these statements, Federation leaders remained largely silent until after the October elections, when a prominent Federation politician labelled remarks towards secession by Republika Srpska leaders "a clear violation of the Dayton Peace Accords", saying: "[i]f the international community does not react, then we will".[2]

11. During and after the election campaign, Croat political leaders increased their calls for a third, Croat, entity within Bosnia and Herzegovina. In addition, the election as Croat member of the Bosnia and Herzegovina Presidency of Zeljko Komsic, who does not come from a predominantly ethnically based Croat party, has fuelled demands by some Croat leaders for changes in the electoral and political system. Croat political leaders have been publicly supported on this issue by politicians from the Republika Srpska, and this question could affect government formation.

12. In September, the Republika Srpska Government tasked the responsible Republika Srpska authorities to draw up an action plan to make a precise description of the Inter-Entity Boundary Line and to mark it. The Republika Srpska authorities have informed the Bosnia and Herzegovina Council of Ministers and Federation Government that a joint commission should be formed for this purpose and that, if they failed to respond, the Republika Srpska would unilaterally proceed with the marking of the Boundary Line. Annex 2 of the General Framework Agreement for Peace provides for a procedure to mark and delineate the Boundary Line. Under this procedure, the Boundary Line may be marked by representatives of the parties to annex 2 of the Agreement (Federation and Republika Srpska), but only in coordination with and under the supervision of EUFOR (as the successor to IFOR, which is mentioned in annex 2). The final authority for placement of such markers shall rest with EUFOR. Annex 2 to the Agreement also provides that a joint commission composed of an equal number of representatives from each party shall prepare an agreed technical document containing the precise description of the Inter-Entity Boundary Line, which shall be subject to the approval of the EUFOR Commander. Consequently, no unilateral action on these matters may be conducted by any party. Any unilateral effort to mark the Boundary Line outside of the manner prescribed in annex 2 of the Agreement would constitute a serious violation of the said Agreement.

Decisions of the High Representative during the reporting period

13. Republika Srpska authorities have so far failed to adopt amendments needed to incorporate the Brcko District into the electricity regulatory framework covering the rest of the country and continue to refuse to publish the High Representative's decisions in that entity's Official Gazette. These actions are in violation of the High

[2] "It is a clear violation of the Dayton Peace Accord. If the international community does not react, then we will". "If someone allows secession which goes unpunished then the rest of the people from Bosnia-Herzegovina will get into the clash, and 1992 to 1995 would look like Disneyland". "There would be two alternatives: I find a way legitimately to stop Dodik from breaking the constitution by physical force which I have authority over or I get dismissed and some crazy radical will take over my position and do it". 12 October 2010.

Representative's authority under annex X of the General Framework Agreement and various Security Council resolutions, as well as the Republika Srpska Law on the Official Gazette.

14. In August, the High Representative issued three decisions lifting bans on persons previously barred from being candidates for elections and from holding any executive office at any level due to obstruction of the General Framework Agreement for Peace. Additional decisions in September and October lifted earlier orders of the High Representative that had removed travel documents for 9 and 14 individuals suspected of activities, which were, or which threatened to be, obstructive of the peace implementation process. This means that altogether documents have been returned to 74 individuals, while another 40 remain under sanction.

15. The High Representative issued a decision on 2 September nullifying and voiding a decision of the Assembly of the Western Herzegovina Canton that had approved a new cantonal government without following established vetting procedures. The decision was issued to prevent possible violence by opposing factions. As a result of the decision, the formation of a new government was delayed by several days, which permitted the vetting procedure to take place. In this way, the cantonal government changed hands in a peaceful manner.

Five objectives and two conditions for the closure of the Office of the High Representative

16. No progress was made on the remaining objectives necessary for the closure of the Office of the High Representative during the reporting period. Following their earlier rejection of the State Property Inventory compiled by the Office of the High Representative in December 2009, the Republika Srpska authorities took unilateral actions that complicated the process of reaching a sustainable apportionment of property between levels of government. On 23 June, the Republika Srpska Government adopted the draft Law on the Status of State Property located on the Territory of the Republika Srpska and under a Disposal Ban (Republika Srpska State Property Law). This law provides for the Republika Srpska to assume ownership of all property of the former Socialist Federal Republic of Yugoslavia and the Socialist Republic of Bosnia and Herzegovina located on the territory of that entity, including prospective defence property, and authorizes the subsequent transfer of those properties. At a special session held on 14 September, the Republika Srpska National Assembly adopted the Republika Srpska State Property Law in the second reading. Since the Bosniak Caucus of the Republika Srpska Council of Peoples invoked Bosniak vital national interest in relation to this law, it has not yet entered force. Formally, it still needs to go through the Republika Srpska vital national interest mechanism. Should the Law enter into force it would make a negotiated apportionment of State property more difficult and thus also delay the closure of the Office of the High Representative.

17. The State Property Commission met twice during the reporting period, in July and October, but failed to make progress on either a draft Bosnia and Herzegovina Law on State Property or on a list of properties needed by Bosnia and Herzegovina institutions. The Commission postponed discussions on the current draft law because of disagreement over the principles underpinning the draft, and in the light of the adoption by the Republika Srpska National Assembly of the Republika Srpska

State Property Law, the provisions of which are incompatible with the Commission's draft. The Commission also considered a list of property needs submitted by Bosnia and Herzegovina State-level institutions. Although it has been tasked to compile a single list of property that Bosnia and Herzegovina State-level institutions would need to function efficiently, Commission members from the Republika Srpska rejected a proposal to forward such a preliminary list to the Bosnia and Herzegovina Council of Ministers. Those members challenged the validity of the data on which the preliminary list is based, suggesting that State institutions inappropriately referenced the State Property Inventory compiled by the Office of the High Representative as a data source, and suggesting that the intergovernmental Commission must evaluate the needs of each State institution before forwarding any list to the Bosnia and Herzegovina Council of Ministers. Those members request to receive and review all material on which the preliminary list is based before holding any further discussions on this issue within the Commission.

18. The general lack of progress on State property, due to the problems at various levels of government outlined above, has meant that there was also no progress in addressing the apportionment of immovable defence property. Regarding movable defence property the Bosnia and Herzegovina Armed Forces, in cooperation with the United States Government, the European Union and the United Nations Development Programme, began destroying around 30,000 rifles in September, which had been donated to the then Federation Army in the late 1990s.

19. Throughout the reporting period, the Republika Srpska continued to refuse to adopt the High Representative's decisions of 18 September 2009 integrating Brcko into the State electrical regulatory framework.

20. There has been only limited progress in implementation of the two objectives for the closure of the Office of the High Representative already declared completed. These relate to the rule of law and fiscal sustainability.

Bosnia and Herzegovina State-level institutions

21. The three-member Bosnia and Herzegovina Presidency held seven regular and five extraordinary sessions during the reporting period. In July, the Presidency agreed to send 45 members of the Bosnia and Herzegovina Armed Forces to the International Security Assistance Force (ISAF) in Afghanistan and adopted decisions on resolving the issue of surplus weapons, munitions and mines/explosive devices for the Bosnia and Herzegovina Armed Forces. Internal disagreements in the Presidency continued throughout the reporting period. In June, a disagreement broke out over Bosnia and Herzegovina's position regarding the Human Rights Council resolution on the attack by Israeli forces against a Turkish humanitarian flotilla. In August, the Presidency failed to agree on a joint platform for the Bosnia and Herzegovina delegation to the sixty-fifth session of the United Nations General Assembly.

22. During the course of their four-year mandates (2006-2010), the outgoing Parliamentary Assembly and Council of Ministers of Bosnia and Herzegovina performed poorly in comparison to the previous composition. In quantitative terms the Council of Ministers adopted 13 per cent less legislation than the 2002-2006 Council of Ministers, while the Bosnia and Herzegovina Parliament passed 28 per cent fewer laws than the 2002-2006 Parliament.

23. The performance of the Council of Ministers also deteriorated further during the reporting period. Although it continued to meet regularly, it adopted only four new laws and 13 amendments to existing legislation, which is a noticeable decline. Of those laws, one was the final requirement for visa liberalization. It also adopted the Employment Strategy in Bosnia and Herzegovina 2010-2014, which took into account the European Union Employment Framework and obligations stemming from the Stabilization and Association Agreement as well as the European partnership. Further, it approved the Ministry of Defence's proposal to send an infantry unit from the Bosnia and Herzegovina Armed Forces to the NATO-led ISAF mission to Afghanistan.

24. During the reporting period, the work of the Bosnia and Herzegovina Parliamentary Assembly was similarly marked by low productivity and an unconstructive atmosphere, with parties and delegates disagreeing on fundamental issues regarding the functioning of State institutions. As a result, there was only limited progress in addressing European Union-related conditions, and the Parliamentary Assembly adopted 18 laws, 10 of which were amendments to existing legislation and 8 were new laws. The Bosnia and Herzegovina Parliament extended the mandate of the Acting Director of the Agency for Prevention of Corruption and Coordination of the Fight against Corruption in fulfilment of another visa liberalization requirement, and it finally adopted the revised Strategy for the Implementation of Annex 7 of the General Framework Agreement. Two separate walkouts by SNSD from the Bosnia and Herzegovina House of Peoples (29 July and 1 September) forced the Parliament to stop work for lack of a quorum, which blocked the adoption of a State-level Census Law. As a result, Bosnia and Herzegovina may not be able to hold a census in 2011, which may cause significant problems for further progress towards the European Union. The walkouts also constitute a problematic precedent of a single party holding decision-making by the entire Parliamentary Assembly hostage.

Republika Srpska

25. The Republika Srpska Government sought to use the Advisory Opinion of 22 July on the legality of Kosovo's declaration of independence of the International Court of Justice in The Hague to make a case for the secession of the Republika Srpska from Bosnia and Herzegovina. To this end, the Republika Srpska authorities have announced the creation of a commission of national and international lawyers to examine the implications of the Court's opinion, indicating that the analysis it produces will form the basis of future policy. Despite the Court's ruling of 2007 on the Srebrenica genocide, the Republika Srpska authorities continued publicly and repeatedly to deny that genocide occurred, while at the same time challenging the authority of the Bosnia and Herzegovina Court and Prosecutor, those institutions most responsible for bringing war crimes suspects to justice as the International Tribunal for the Former Yugoslavia winds down its activities.

26. In addition to passing the Law on the Status of State Property Located on the Territory of the Republika Srpska and under a Disposal Ban, on 14 September, the Republika Srpska Government adopted a Republika Srpska Law on Census in 2011. Despite warnings from the European Commission as to the lack of international recognition of its results, the Census Law was adopted in June and entered into force in October after the vital national interest panel of the Republika Srpska Constitutional Court ruled that it did not infringe on Bosniak national interests.

27. On a more positive note, the Republika Srpska has maintained growth in industrial production, which from January to September 2010 rose by 4.1 per cent over the same period the previous year. From the monthly point of view, industrial production in the Republika Srpska in September 2010 rose by 5.7 per cent compared to August 2010 and by 8.1 per cent compared to the average monthly production in 2009 (Republika Srpska Institute for Statistics). The Republika Srpska has also progressed in settling its debts towards the Brcko District, related to health care and retirement benefits. The measures required from the Republika Srpska level of government for the fourth disbursement of funds under the standby arrangement of the International Monetary Fund (IMF) with Bosnia and Herzegovina were completed on schedule.

Federation of Bosnia and Herzegovina

28. In September, the Federation passed a rebalanced budget with IMF-required belt-tightening measures, despite strong pressure from veterans' groups. This permitted the disbursal of the fourth tranche of the IMF standby arrangement in mid-October.

29. Within the Federation, relations among members of the governing coalition stagnated, as Croat-Bosniak political relations remained strained. This resulted in numerous vital positions in Federation institutions going unfilled, due to disagreements over ethnic representation and economic projects. As a result, the post of Minister for Spatial Planning, several seats on the Federation Constitutional Court bench, as well as a number of other positions, have remained vacant for over a year. Moreover, the Federation has failed to meet obligations under its Constitution for an equal distribution among the three constituent peoples of six key positions in the entity's executive, legislative and judiciary institutions. In addition, moves were taken within the Federation to further politicize the civil service and reverse reforms sponsored by the international community by making a number of new positions political appointments.

30. A number of challenges to the distribution of responsibilities between the Federation and its cantons were brought before the entity constitutional court and could represent a trend towards challenging the entity's authorities. At the same time, the more complex political structure within the Federation entity continued to complicate decision-making efforts during the reporting period.

III. European partnership priorities and visa liberalization

31. There has been limited progress in addressing the European partnership priorities during the reporting period. With the exception of visa liberalization, the pre-election period significantly affected the performance of the Council of Ministers and the Bosnia and Herzegovina Parliamentary Assembly in this regard and, as a result, key European Union conditions, such as the adoption of a State-level census law, a State-level State aid law and necessary amendments to the Bosnia and Herzegovina Constitution and Election Law, were not met. Reforms designed to create a single economic space (which are also part of the European partnership priorities), including the adoption of a single law on obligations and the establishment of a single system of banking supervision, also remain blocked.

32. During the reporting period, the Bosnia and Herzegovina Council of Ministers adopted decisions relevant for the initial functioning of the State-level agencies established under the police reform laws of April 2008. In July 2010, the Council of Ministers approved staff recruitment plans for the Agency for Forensics, the Agency for Education and Training, and the Agency for Police Support. On 19 August 2010, the Council of Ministers adopted the Book of Rules on Internal Organization for the Directorate for Coordination of Police Bodies of Bosnia and Herzegovina.

33. There has been continued progress in meeting conditions from the visa liberalization road map. In May, the European Commission presented a proposal for lifting the visa requirement for citizens of Bosnia and Herzegovina provided that the authorities fulfilled all outstanding benchmarks. These relate to strengthening the capacities of law enforcement, effective implementation of the legal framework for the fight against organized crime and corruption, the progressive implementation of the action plan from March 2010 on the establishment of electronic data exchange between police and prosecution institutions, and the harmonization of entity level and Brcko District criminal codes with the State-level criminal code. On the basis of its September assessment of progress achieved on these outstanding benchmarks, the European Commission proposed to the European Parliament and the Council of the European Union the abolition of the visa requirement for citizens of Bosnia and Herzegovina holding biometric passports. The European Parliament endorsed the European Commission's proposal in its plenary session of 7 October and the Council will consider the same issue in November.

IV. Public administration

34. During the reporting period, there was limited progress in the reform of public administration, and the civil service remained a target for attempts by leaders to allow greater political control over relevant appointments. The Bosnia and Herzegovina Public Administration Reform Strategy and its various action plans remain only partially implemented. However, a new Public Administration Reform Coordinator has been appointed.

35. Numerous senior service appointments remain long overdue at the State level, including the appointment of a new Head of the Communications Regulatory Agency (over three years overdue), the Head of the Indirect Tax Administration (almost two years overdue), members of the Communications Regulatory Agency Council (a year and half overdue), and the General Manager of the Company for the Transmission of Electric Power in Bosnia and Herzegovina (one year overdue), all of which affect the efficiency of decision-making in these institutions. These failures of the outgoing Council of Ministers will need to be addressed as a priority by the incoming government.

36. During the reporting period, there was a rollback of crucial reforms in the Federation that were sponsored by the international community. They included measures by five cantons towards establishing their own civil service legislation, following a decision in May 2010 by the Federation Constitutional Court declaring certain provisions of the Federation Civil Service Law unconstitutional.

37. In October, the Federation Constitutional Court adopted another decision that disempowered Federation institutions and opened the door to further Constitutional Court challenges to Federation and cantonal legislation. In the ruling, the Court

determined that certain articles of the Law on Federation Ministries were not in accordance with provisions of the Federation Constitution, and that education and cultural policy belonged to the competency of the cantons. The Court gave the Federation Parliament six months to harmonize inconsistent provisions with the Federation Constitution, during which time the said provisions shall remain in force on an interim basis. This judgement is the second successful initiative by the Federation President to challenge legislation related to the distribution of entity and cantonal responsibilities. The implementation of this decision will impact future Croat-Bosniak coalitions at the Federation level, as Croats are expected to seek decentralization and broader local autonomy for the cantons.

V. Constitutional reform

38. No progress was made on constitutional reform during the reporting period. The working group established by the Council of Ministers in February to implement the ruling of 22 December 2009 of the Grand Chamber of the European Court of Human Rights in the Sejdic-Finci case failed to reach agreement. In August, the Council of Ministers extended the working group's mandate and instructed it to continue work after the elections. The working group tried to meet again in mid-October, but the non-attendance of some Republika Srpska members prevented a quorum. Progress on constitutional reform remains critical to make the Bosnia and Herzegovina Constitution fully compatible with the European Convention on Human Rights and to ensure lasting stability and the improved functionality that is necessary to meet the requirements of Euro-Atlantic integration.

VI. Entrenching the rule of law

War Crimes Prosecution Strategy

39. There has been little progress towards implementing the War Crimes Prosecution Strategy during the reporting period. Although the number of war crimes investigations and trials has increased slightly, no decision has been taken on the "sensitivity" criteria that will determine the distribution of cases between the entity and Bosnia and Herzegovina State levels. The deadline for that decision was January 2009. Implementation of the Strategy is now on hold as budget planning cannot be completed until these criteria are agreed.

40. Equally, progress has failed to materialize on the issue of regional cooperation on prosecuting war crimes, another of the Strategy's priorities. No steps have been taken by the Bosnia and Herzegovina Chief Prosecutor to further discuss draft memorandums of understanding on sharing evidence with neighbouring countries.

41. Progress has nevertheless been made on regional judicial cooperation regarding enforcement of Court decisions. Bosnia and Herzegovina signed amended agreements on mutual enforcement of court decisions in criminal matters with Croatia and Serbia, and on legal aid in civil and criminal matters with Serbia in February 2010. The Bosnia and Herzegovina Ministry of Justice also reached agreements on the mutual enforcement of court decisions in criminal matters and on legal aid with Montenegro in July 2010. These agreements were signed to prevent convicted persons from fleeing to neighbouring countries to avoid punishment.

42. By the end of September, the Bosnia and Herzegovina Ministry of Justice had received four requests for enforcement of criminal sanctions from Serbia and 28 from Croatia, and had forwarded 38 to Serbia and 32 to Croatia. By September, Bosnia and Herzegovina had started addressing these requests for enforcement and confirmed the eight-year sentence rendered in Croatia in the high-profile case against noted politician Branimir Glavas for war crimes against civilians.

43. Two cases relating to war crimes charges raised by Serbia also had considerable impact inside Bosnia and Herzegovina. In the first, Ejup Ganic, a member of the wartime Presidency of the former Republic of Bosnia and Herzegovina, was detained by the United Kingdom authorities on 1 March pursuant to an extradition request from Serbia that alleged Ganic's involvement in the so-called "Dobrovoljacka Street" case. The alleged crime occurred in 1992 and involved a Yugoslav army convoy that came under attack. In July, the City of Westminster Magistrates' Court in London rejected Serbia's request for extradition and immediately released Ganic from house arrest. In its ruling, the London Court stated that "these proceedings are brought and are being used for political purposes and as such amount to an abuse of process of this court" and underlined that the motive for prosecuting was based on "politics, race or religion".

44. In another controversial war crimes case, on 11 October, the Belgrade Court of Appeals overturned a lower court sentence of 12 years against Bosnia and Herzegovina citizen Ilija Jurisic, ordered a retrial, and released Jurisic. Jurisic had been sentenced for involvement in the so-called "Tuzla convoy" case involving a Yugoslav National Army convoy that came under attack while withdrawing from Tuzla in May 1992. During the ensuing firefight, an estimated 50 soldiers were killed. Jurisic was arrested at the Belgrade airport in May 2007, and spent three years and five months behind bars. The guilty verdict handed down in September 2009 triggered sharp reactions among both Croats and Bosniaks, who viewed the case as politically motivated. The date of the retrial is yet to be determined.

National Justice Sector Reform Strategy

45. Implementation of the National Justice Sector Reform Strategy remains poor, owing to a lack of political will on the part of the entities, which continue not to attend the sessions of the functional working group, and the unwillingness of the Bosnia and Herzegovina Ministry of Justice to enforce its coordination role. Thus, with around 15 per cent of activities fully implemented and 65 per cent partially implemented during this reporting period, there has been only slight progress, primarily on activities of minor substantive impact. The fourth Ministerial Conference, which was held on 30 June 2010, was symptomatic of the current state of affairs, with the Republika Srpska Minister of Justice reporting solely on Republika Srpska successes outside the implementation of the Strategy. The international community continues to monitor the working groups related to the Strategy and, building on past successful coordinated actions, is currently reviewing all projects within the Strategy to identify priorities.

Fight against corruption

46. While the perception of corruption remains extremely high within Bosnia and Herzegovina, limited progress can be reported in that respect. As part of the requirements for a European Union visa-free regime, the authorities did extend the

mandate of the Acting Director of the Agency for Prevention of Corruption and Coordination of the Fight against Corruption in June 2010. However, the appointment of a permanent director awaits the composition of new Bosnia and Herzegovina State-level authorities after the elections and it remains to be seen whether Bosnia and Herzegovina will use the instruments at its disposal to tackle the problem. Considering the high rate of unsuccessful prosecutions in corruption-related cases, especially in high-profile ones, new emphasis should be given to improving adequate investigative capacities dedicated to the fight against corruption and to strengthening the mechanisms of police-prosecutor coordination.

Other rule of law issues

47. The High Representative's decision of 14 December 2009 enacting amendments to the Law on the Court of Bosnia and Herzegovina and to the Law on the Prosecutor's Office of Bosnia and Herzegovina extended the mandates of international judges and prosecutors working on war crimes cases for an additional three years. In the light of the reduced budgetary support pledged by international donors — €6.4 million out of a total of €8.5 million requested — the Registry of the Bosnia and Herzegovina Court and of the Bosnia and Herzegovina Prosecutor's Office successfully transitioned most of their national staff to the Bosnia and Herzegovina budget on schedule.

48. In the light of the expected progressive decline of international assistance, the Registry's draft budgets for 2011 and 2012 have yet to be revised. Key international donors and the Registry also agreed to draft an institutional development plan that would incorporate financing and transition of staff, staff careers and operational costs over a three- to five-year period. In terms of staff deployment, the Court of Bosnia and Herzegovina has a total of five international judges for war crimes cases, following the departure of one judge earlier in the year. The Bosnia and Herzegovina Prosecutor's Office should soon get a fourth international prosecutor for the Special Department for War Crimes. While recruitment for almost all budgeted international positions was successful, two of the four positions of advisers in the department dealing with organized crime in the Prosecutor's Office were not yet filled at the time of writing.

49. The Federation Constitutional Court still lacks three judges, which prevents it from ruling on cases of vital national interest. The outgoing Federation President has played a central role in delaying these necessary appointments by challenging the role of the High Judicial and Prosecutorial Council in selecting and proposing candidates, arguing that the Council should simply verify whether candidates meet basic requirements, and leave it to the Federation President to nominate whichever candidate he or she chooses.

50. The project to construct a State prison is experiencing significant delays. While the total cost remains at €39.6 million, the structure of financing recently changed, as a €3.9 million donation is no longer available because of delays in project implementation. On a more positive note, in July the European Commission approved an additional grant of €5.1 million from the 2010 funds in its Instrument for Pre-Accession Assistance, bringing the total European Union contribution to €10.85 million. This leaves a budget burden of €6.45 million on the State. Owing to delays, completion of construction is not expected until January 2013, and the prison is due to become operational by April 2013.

51. To resolve the problem of a backlog in the enforcement of criminal sanctions the focus should be on increasing imprisonment capacities, primarily in the Federation, and on improving the use of conditional release, as well as community service instead of imprisonment for sentences of less than one year. The project, actively supported by the Federation Ministry of Justice, of introducing a system of electronic supervision and house arrest for persons sentenced to short-term imprisonment of up to one year or subject to conditional release is pending at present. The amendments to the Federation Criminal Code and the Federation Law on Execution of Criminal Sanctions have not yet been adopted by the Federation Parliament.

VII. Cooperation with the International Tribunal

52. The level of Bosnia and Herzegovina's cooperation with the International Tribunal for the Former Yugoslavia during the reporting period remained satisfactory and the priority remains the arrest of Ratko Mladic. However, there is growing concern that the networks that provide support to Mladic and other indicted war criminals are regaining strength.

53. It is of particular concern that, during the reporting period, Republika Srpska politicians have given increasing public support to p ople indicted or convicted by the Tribunal. In July, representatives from the Republika Srpska Government unveiled a statue of a person convicted by the Tribunal. Also in July, the Serb Democratic Party gave its highest party honours to Radovan Karadzic, whose trial has continued in The Hague, and to another accused war criminal. The Republika Srpska authorities have also repeatedly denied that genocide occurred in Srebrenica, thus disregarding previous judgments of the Tribunal and the International Court of Justice. Such open support for persons indicted for war crimes and convicted of war crimes has not heretofore been expressed in such a public and frequent manner. In his report to the Security Council in June, the Chief Prosecutor of the Tribunal expressed his concerns, strongly condemning this trend that undermines cooperation with the Tribunal and the delivery of justice, as well as "efforts aimed at reconciling and stabilizing post-conflict societies".

54. Radovan Stankovic, who escaped from prison in Foca in May 2007, remains at large. Stankovic was convicted by the Court of Bosnia and Herzegovina of crimes against humanity and was sentenced to 20 years' imprisonment. No serious measures are being taken to apprehend him. The failure to apprehend him is even more disappointing given that this was the first Tribunal case to be transferred to the Court of Bosnia and Herzegovina.

VIII. Reforming the economy

55. Economic data available for 2010 show signs of modest improvement. The Bosnia and Herzegovina Central Bank forecast 0.5 per cent growth for the country's economy in 2010, even though it is still unable to provide reliable data for the first half of the year. This follows a contraction of the economy of 2.9 per cent in 2009.[3] Exports from Bosnia and Herzegovina surged in the first six months of 2010,

[3] Source: Bosnia and Herzegovina Statistics Agency.

increasing by 32 per cent (to KM 3.38 billion) in comparison with the same period a year earlier.[4] The trade deficit fell to KM 2.85 billion for the same period, a decline of 16 per cent. The European Union remains the most important trading partner of Bosnia and Herzegovina, accounting for almost 50 per cent of total external trade, with members of the 2006 Central European Free Trade Agreement accounting for 29 per cent. The inflation level in Bosnia and Herzegovina between January and July reached 2 per cent.[5] In the same period, an increase was also recorded in industrial production, amounting to 0.2 per cent compared to the same period in 2009.[6] Registered unemployment remains high: in July, it was estimated at approximately 43 per cent, or more than 516,000 people.[7] Foreign direct investments in the first half of 2010 amounted to KM 81.15 million, a 47 per cent decline compared to the same period in 2009. In July, the average net salary amounted to KM 799, a decrease of 0.4 per cent compared to December 2009, while the average pension in the period January-July 2010 amounted to KM 333, a decrease of 1.3 per cent compared to the same period the previous year. The external debt of Bosnia and Herzegovina rose to KM 5.93 billion at the end of the second quarter of 2010, from KM 5.66 billion at the end of the first quarter.

56. The Governing Board of the Indirect Taxation Authority met three times during the reporting period (on 16 June, 26 July and 23 September), but remained unable to agree on new indirect tax revenue allocation coefficients that — pursuant to the Rulebook on Methodology for the Allocation of Indirect Taxes adopted on 24 June 2008 — should be agreed upon on a quarterly basis. Consequently, the coefficients adopted in the second quarter of 2008 continue to apply. Rebalancing the collected and distributed indirect tax revenues for 2008 is still pending. There has also been no agreement within the Bosnia and Herzegovina Council of Ministers on a new Director of the Indirect Taxation Authority, although the mandate of the current Director expired on 8 December 2008. On a positive note, an external audit of collected and distributed revenues for 2009 was initiated in July through the Governing Board's decision on the subject, contents and scope of audit for 2009. A public bid invitation for the selection of an audit company is expected to follow.

57. The Bosnia and Herzegovina Fiscal Council held three sessions during the reporting period (17 May, 16 June and 30 August) focusing on the realization of the IMF standby arrangement with Bosnia and Herzegovina and the preparation of a global framework of fiscal balance and policies in Bosnia and Herzegovina for the period 2011-2013.

58. The International Monetary Fund mission visited Bosnia and Herzegovina from 4 to 17 May for the second review of the country's performance under the standby arrangement. While noting signs of economic stabilization, the mission also noted delays in implementation of structural measures by the Federation authorities. However, following sufficient progress in implementing agreed conditions, IMF notified the Bosnia and Herzegovina authorities on 20 September of the latter's completion of the prior actions agreed with the mission. This allowed the IMF Executive Board to complete the second and the third review of Bosnia and Herzegovina's economic performance under the standby arrangement on 15 October,

[4] Source: Bosnia and Herzegovina Ministry of Foreign Trade and Economic Relations.

[5] Source: Bosnia and Herzegovina Directorate for Economic Planning.

[6] Ibid.

[7] Source: Bosnia and Herzegovina Statistics Agency.

thus freeing up an amount equivalent to €133 million. Of this amount, the Bosnia and Herzegovina authorities have drawn about €38 million for entity budget support, while the remainder, intended for reserve augmentation, has not been drawn yet, owing to the Bosnia and Herzegovina Central Bank's strong reserve position.

59. The Bosnia and Herzegovina Fiscal Council has to date failed to adopt the global framework of fiscal balance and policies in Bosnia and Herzegovina, which provides a basis for the preparation of the State and entity budgets for 2011. The major obstacle to the adoption is the refusal of the entities to support a 2011 State budget that is at the same level as the current year's one. A reduction would undermine the State institutions' capacity to implement their legal obligations and meet the requirements of European Union and NATO integration. These risks were identified in the letters of 21 and 27 May from the Bosnia and Herzegovina Minister of Finance and Treasury to the Ambassadors on the Steering Board of the Peace Implementation Council. The Steering Board Ambassadors have called upon the Bosnia and Herzegovina Fiscal Council to set the State budget for 2011 at a level that allows effective and efficient functioning of the State institutions.

60. Since the High Representative's decision of 18 September 2009 regarding the Bosnia and Herzegovina Electricity Transmission Company (Transco),[8] the company's daily operations have been restored. However, substantial problems remain, despite the entity Prime Ministers' expressed commitments to unblock the company's work.[9] All of the company's management and most of its Management Board remain in an acting capacity. While vacancies for the positions of General Manager and Executive Directors were issued at the beginning of 2010, final appointments await a political agreement on the ethnic distribution of managerial posts. All major investments in the electricity transmission infrastructure remain blocked. There is an urgent need to adopt business and investment plans for 2008-2011 if the electricity transmission grid is to be maintained and developed. As a consequence of not upgrading it for almost three years, the electricity transmission grid is now in a poor condition and this has led to a number of power blackouts.

61. Despite the aforementioned problems, the company's profit rose nearly 30 per cent in 2009 (to roughly KM 28 million). These figures confirm that Transco is a profitable company that directly benefits both shareholders (the entities).

62. In October, the Federation railway company signed a contract on accession to the Cargo 10 Alliance, a common railway freight company founded by the railway companies of Slovenia, Croatia and Serbia. The Cargo 10 Alliance is expected to shorten travel time, reduce costs and increase traffic on rail lines running through the former Yugoslavia from Austria, Hungary and Italy to Bulgaria, Greece and Turkey. The consortium is also expected to harmonize prices and contribute to the region's overall development.

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[8] Decision Enacting the Amendments to the Law Establishing the Company for the Transmission of Electric Power in Bosnia and Herzegovina; available from www.ohr.int/decisions/statemattersdec/default.asp?content_id=43975.

[9] The Entity Prime Ministers' Agreement on the Energy Policy Principles of 6 November 2008 and the Transco Shareholders Assembly Agreement of 3 December 2008.

IX. Return of refugees and displaced persons

63. After a two-year delay (see previous reports for details), on 24 June the Bosnia and Herzegovina House of Peoples adopted a revised Strategy for the Implementation of Annex 7 of the General Framework Agreement for Peace. Now the focus should be on ensuring the implementation of the Strategy and its recommendations. There are still about 113,000 persons registered as internally displaced, more than 7,000 of whom live in poor conditions in collective centres. Some of the internally displaced have lived in such conditions for more than 15 years. The aim of the Strategy is to close the chapter of displacement in Bosnia and Herzegovina by the end of 2014. However, judging by the many political obstacles encountered during the adoption phase, it is uncertain whether the political will exists to achieve this.

64. The Office of the United Nations High Commissioner for Refugees in Bosnia and Herzegovina remains the lead international agency for displaced persons and refugees in the country. The Office of the High Representative will continue to support its efforts to ensure full implementation of annex 7 of the General Framework Agreement.

X. Mostar

65. After the long-delayed appointment of a Mayor of Mostar in December 2009, the city authorities have made little progress in tackling the many challenges facing the city and its citizens. Of growing concern is an increase in ethnically motivated incidents.

66. The Bosnia and Herzegovina Constitutional Court is currently considering a second challenge by the Croat Democratic Union to a provision of the Mostar City statute, and to provisions in the Bosnia and Herzegovina Election Law and the Federation Constitution which were enacted by the High Representative and which unified the city administration in Mostar. An earlier challenge was dismissed by the Federation Constitutional Court.

67. The Mostar bureau of the Office of the High Representative was closed on 30 June 2010. The Office of the High Representative maintains a three-person team in Mostar, charged with monitoring developments in Mostar and the region.

XI. Brcko District

68. As noted in previous reports, significant progress has been made in recent years related to democratic governance in Brcko. The new Brcko District Supervisor, who arrived towards the end of the reporting period, will continue to assess the strength, sustainability and functionality of Brcko's institutions, with the goal of terminating supervision once it is clear that those institutions are functioning effectively and apparently permanently.

69. As underlined in the High Representative's previous reports, the failure of the State and entities to meet their obligations arising from the Brcko Final Award made it necessary for the High Representative to enact amendments to several pieces of legislation relating to Brcko on 18 September 2009. The State, the Federation and

the Brcko District authorities complied with their obligations to publish the amended legislation in their official gazettes, but the Republika Srpska authorities have not yet done so. As a result, the Republika Srpska has yet to recognize the District as a unit of self-governance within the country's electricity regulatory and institutional framework. This remains an obstacle to the further development and economic sustainability of Brcko District.

XII. Defence reform

70. Following the decision of NATO to offer Bosnia and Herzegovina the Membership Action Plan at the NATO summit in April 2010, Bosnia and Herzegovina's political leaders failed to make progress on addressing the relevant conditionality related to immovable defence property. As a consequence, Bosnia and Herzegovina missed the opportunity to start its Membership Action Plan Annual National Programme in September 2010. The next opportunity to do so will be in September 2011. In the meantime, Bosnia and Herzegovina has continued to implement the Individual Partnership Action Plan.

71. On 1 September, the Bosnia and Herzegovina Parliamentary Assembly endorsed the decision of the Bosnia and Herzegovina Presidency of April to deploy a 45-man unit to the International Security Assistance Force in Afghanistan. The Bosnia and Herzegovina unit will be a part of the Danish contingent in Regional Command South. The unit deployed to Afghanistan in mid-October.

72. Disposal of surplus weapons and ammunition belonging to the Armed Forces of Bosnia and Herzegovina has continued, but only at half capacity. Since the beginning of 2010, 1,500 additional tons of ammunition were identified by the Armed Forces as "unsafe". The Bosnia and Herzegovina Presidency has yet to order their destruction. Meanwhile, the Armed Forces, in cooperation with the United States Government, the European Union and the United Nations Development Programme, began destroying around 30,000 rifles in September, which had been donated to the then Federation Army as part of the United States "Train and Equip" programme in the second half of the 1990s.

XIII. Intelligence reform

73. The leadership of the Bosnia and Herzegovina Intelligence and Security Agency continued its efforts to consolidate the Agency, actively assisted by the Bosnia and Herzegovina Parliamentary Assembly's Joint Committee on Oversight of the Intelligence and Security Agency.

74. The Parliamentary Assembly's Joint Committee on Oversight of the Intelligence and Security Agency strongly condemned a bomb attack on a police station in the city of Bugojno on 27 June and demanded coordinated and stringent efforts from the security sector to solve the case. On 29 June, the Committee urged the Bosnia and Herzegovina Council of Ministers "to increase the competencies of authorized agencies for the fight against terrorism and organized crime by amending the relevant legislation and tightening up the sanctions for these acts of crime". The Agency has subsequently sent the Council of Ministers several suggestions for amendments to both the Law on the Intelligence and Security Agency and the

Bosnia and Herzegovina Criminal Procedure Code. These, however, have not yet been adopted.

75. In July, because of lack of support from Republika Srpska delegates, the Joint Committee on Oversight of the Intelligence and Security Agency failed to pass the Law on Amendments to the Law on Protection of Secret Data. The European Commission had invested considerable resources to assist the Bosnia and Herzegovina Ministry of Security to draft the amendments needed to ensure the protection of classified European Union information "according to minimum European Union standards". The amendments are also very important in the light of the operational agreement that still needs to be reached between EUROPOL and Bosnia and Herzegovina.

XIV. European Union military force

76. The European Union military mission in Bosnia and Herzegovina (EUFOR) continued to provide a military force of some 2,000 personnel, retaining the capacity to bring in over-the-horizon reserves. Its headquarters and peace enforcement capability continue to be based in the Sarajevo area, with liaison and observation teams present throughout the country. The EUFOR presence in the field provided crucial reassurance to citizens, who continue to believe it to be necessary. Given the difficult political environment, it remained important that EUFOR retain the capacity to deploy troops throughout Bosnia and Herzegovina at short notice. EUFOR also continued to work closely with the Bosnia and Herzegovina Armed Forces and the launch of new capacity-building and training tasks was a welcome step towards further strengthening the capacities of Bosnia and Herzegovina. The key role EUFOR has continued to play in contributing to a safe and secure environment is widely recognized by citizens and has helped the Office of the High Representative and other international organizations to fulfil their respective mandates. In so doing, EUFOR continued to serve as an important factor of stability in the country.

77. Preparations are under way to continue the EUFOR executive presence beyond 2010. The High Representative considers it important for EUFOR to retain an executive mandate for at least some months after the closure of the Office of the High Representative. The European Union Special Representative has continued to offer political guidance and support to the EUFOR mission.

XV. European Union Police Mission

78. The European Union Police Mission continued to support the development of the law enforcement agencies of Bosnia and Herzegovina in the fight against organized crime and corruption, cooperation between police and prosecutors, police and the prison structure, as well as promoting accountability within police bodies. The Mission continued its work on the harmonization of the legal framework for police officers and police bodies and supported further implementation of the police reform laws of April 2008, through its mentoring of the Directorate for Police Coordination. All bodies and agencies foreseen by the April 2008 police reform laws are now formally established and possess the necessary conditions to begin to function. In view of the expiry of its mandate at the end of 2011, the Mission will

continue to focus on developing the operational and coordination role of the Directorate for Police Coordination, strengthening the State Investigation and Protection Agency as the lead investigative agency, promoting cooperation among law enforcement agencies and fostering cooperation between police officials and interior ministers.

XVI. Media developments

79. The reform of the public broadcasting system continues to proceed slowly. Owing to the continuing lack of political support for the creation of a unified system, cooperation among the three public broadcasters remains poor. Many elements of the State-level public broadcasting system legislation, adopted over four years ago, have still not been put into effect. The Public Broadcasting System Board has yet to adopt a statute and to register the Public Broadcasting Corporation (responsible for streamlining the activities of the three broadcasters).

80. The Communications Regulatory Agency, responsible for regulating the telecommunications and electronic media sectors, remains in a difficult position as a result of the continuing failure of the current authorities to appoint either its Council or its General Director. The Council of Ministers continues to allow political party interests to take precedence over the public interest in having functional institutions. As a result, the Agency has had an acting general director for more than three years now. The delays in appointments have already had a negative impact on the functioning of the Agency, particularly as a number of decisions prepared by it have been put on hold by the Council of Ministers.

81. The reporting period has once again been characterized by numerous assaults by political parties on freedom of the media. During the pre-election period the High Representative once again had to remind political parties that it was essential that the media be allowed to report freely, accurately and fairly from all parts of the country. Particularly alarming are efforts led by political parties to deny certain media access to information or to try to influence their editorial policies. In the light of direct budgetary funding to public and private media outlets, the Organization for Security and Cooperation in Europe has had to call on government institutions to improve their transparency when engaging with the media sector.

XVII. European Union Special Representative

82. The mandate of the European Union Special Representative has been extended until 31 August 2011. The Special Representative has continued to coordinate the various European Union missions on the ground. In line with his mandate, the Special Representative has offered local political guidance to EUFOR and the European Union Police Mission. Cooperation with the European Union delegation and the European Union member States has also been intense.

83. The Lisbon Treaty entered into force on 1 December 2009. As a consequence, the European External Action Service is being developed by the relevant European Union institutions. This may affect the European Union presence on the ground in Bosnia and Herzegovina in the near future.

84. The European Union Special Representative intensified his public outreach efforts ahead of the general elections, personally visiting 10 larger municipalities across the country to discuss the benefits and challenges of European Union integration with local citizens. He spoke directly to more than 1,500 citizens and reached some 1.2 million people through the media. The Special Representative also oversaw the drafting of a European Union communication strategy and continues to facilitate its implementation.

XVIII. Bosnia and Herzegovina and the region

85. Bosnia and Herzegovina has continued to benefit from improved and extremely constructive relations with its immediate neighbours, Croatia, Montenegro and Serbia, creating perhaps a better regional political environment than at any time since the signing of the Dayton Peace Agreement. High-level figures of neighbouring countries, including the President of Serbia, Boris Tadic, attended the Srebrenica commemorations on 11 July, and there have been a number of bilateral visits throughout the reporting period. Bosnia and Herzegovina's neighbours have continued to underline the need to respect the country's sovereignty and territorial integrity. These visits have not only furthered regional cooperation and reconciliation, but also created an opportunity to deliver concrete progress on a wide range of issues that remain outstanding, including increased cooperation in the judicial sector.

86. Turkey has continued to be active in fostering improved relations between Bosnia and Herzegovina and its neighbours, in particular with Serbia, and by organizing trilateral meetings between Bosnia and Herzegovina, Serbia and Croatia.

87. The Advisory Opinion issued by the International Court of Justice in regard to Kosovo's declaration of independence in July did not result in any security incidents in Bosnia and Herzegovina. However, the opinion was repeatedly referred to by the Republika Srpska authorities who claimed that the Republika Srpska also has the right to self-determination. As a consequence the High Representative had to remind the Republika Srpska authorities that secession is not possible according to the General Framework Agreement for Peace.

XIX. Future of the Office of the High Representative

88. The Steering Board of the Peace Implementation Council met at the level of political directors once during the reporting period, on 29 and 30 June. It once again expressed its concern over the political situation in the country, as well as the ongoing failure to address the remaining objectives and conditions for the closure of the Office of the High Representative. As a result of the failure of the Bosnia and Herzegovina authorities to meet these objectives and conditions the Steering Board has thus far been unable to take a decision on the closure of the Office of the High Representative. The next meeting of the Steering Board of the Peace Implementation Council is scheduled for 30 November/1 December.

89. As previously announced, the High Representative reduced staff by over 20 per cent on 1 July 2010, closing the office in Mostar and significantly reducing staff in the Brcko District office.

XX. Reporting schedule

90. In keeping with the proposals of my predecessor to submit regular reports for onward transmission to the Security Council, as required by Council resolution 1031 (1995), I herewith present my fourth regular report. Should the Secretary-General or any Security Council member require information at any other time, I would be pleased to provide an additional written update. My next regular report to the Secretary-General is scheduled for April 2011.